

STRATEGY  
RESEARCH  
PROJECT

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

**THE PLANNING, PROGRAMMING, AND  
BUDGETING SYSTEM, A STRATEGIC FAILURE**

BY

LIEUTENANT COLONEL THOMAS N. HINKEL  
United States Army

**DISTRIBUTION STATEMENT A:**

Approved for public release.  
Distribution is unlimited

19960529 027

USAWC CLASS OF 1996



U.S. ARMY WAR COLLEGE, CARLISLE BARRACKS, PA 17013-5050

DTIC QUALITY INSPECTED 1

UNCLASSIFIED

USAWC STRATEGY RESEARCH PROJECT

**The Planning, Programming, and Budgeting System, a  
Strategic Failure**

By

Lieutenant Colonel Thomas N. Hinkel  
United States Army

Dr. Robert Murphy  
Project Adviser

U.S. Army War College  
Carlisle Barracks, Pennsylvania 17013

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

DISTRIBUTION STATEMENT A: Approved for public release. Distribution is unlimited.

UNCLASSIFIED

## ABSTRACT

AUTHOR: Thomas N. Hinkel (LTC), USA

TITLE: The Planning, Programming, and Budgeting System, a Strategic Failure

FORMAT: Strategy Research Project

DATE: 5 March 1996 PAGES: 21  
CLASSIFICATION: Unclassified

What has been a trumpeted as a success in consolidating the powers of the Services into the Department of Defense has in reality become a quagmire of financial waste to the government. The Planning, Programming, and Budgeting System has been a strategic failure to the Department of Defense because it fails to coordinate the interagencies that are responsible for the execution of the budget. The reasons for this failure do not solely lie on the shoulders of the Department of Defense and the Services. Congress, politics and democracy have played a major role in its failure. All this, together with the complexity and size of the system, has led to an environment that is riddled with duplication and confusion.

## TABLE OF CONTENTS

I.	Introduction.....	1
II.	Thesis.....	1
III.	History.....	2
IV.	Process.....	5
	General.....	5
	Planning.....	6
	Programming.....	9
	Budgeting.....	11
V.	Case Study.....	13
VI.	Conclusions.....	16
VII.	Recommendation.....	17
VIII.	Endnotes.....	19
IX.	Selected Bibliography.....	20

## The Planning, Programming, and Budgeting System

### Introduction

The Chief of Staff of the Army, General Reimer, has stated that as the Army plans for the future it needs to look for greater efficiencies given the trend of available resources. He has stated that to fail to do so will result in a smaller force structure in order to support an inefficient force. The same problem applies to all military forces and the Department of Defense must find ways to become more efficient in the way it does business.

Many historians feel that the Planning Programming, and Budgeting System (PPBS) was developed by the Secretary of Defense, Robert S. McNamara for the express purpose of bringing the Services under control. He felt that it was necessary to gain control of the budget in order to gain control of the Service itself. "Conceptually. PPBS was exciting. It seemed to combine in one system long and medium term planning of policies; programming of expected performance and costs over a five year period; and annual budgeting..... The entire system focused on alternative means and costs of achieving the purpose and objectives of governmental programs in the light of explicit analysis of needs."<sup>1</sup>

What Secretary of Defense McNamara trumpeted as a success in consolidating the powers of the Services into the Department of Defense has, according to Congress, in reality become a quagmire of financial waste in the Defense Department and the the government. The Planning, Programming, and Budgeting System has failed to do the exact purpose it was designed for, coordinate the activities of the interagencies that are responsible for the execution of the budget. The reasons for this failure do not solely lie on the shoulders of the Department of Defense and the Services. Congress, politics and democracy have played a major role in its failure. All this, together with the complexity and size of the system, has led to an environment that is riddled with duplication and confusion.

### History

In the early 1950's, President Dwight D. Eisenhower did, what some considered to be a gutting of the defense department. In his campaign for the presidency he promised to reduce the defense budget as a means of controlling government spending. His strategy was one that relied on the use of nuclear weapons as a means of insuring the safety of the country. As a result he severely reduced and cut the

funds of the conventional force structure with little consideration for the long term effects.

This was relatively easy to do because each of the services went before Congress to sell their requirements case for each annual budget. In addition to this, there was total confusion in the Pentagon. The newly formed Secretary of Defense and the Joint Staff (1947) had yet to be able to wrestle away the power of the individual services. "Since 1947, Secretaries of Defense had been trying to manage the department with a great deal of frustration. It was not until the 1958 Defense Reorganization Act and advent thereafter of Robert McNamara that the Defense Secretary really took over the management of the department in a highly centralized way."<sup>2</sup>

In the late 1950's Congress enacted the Department of Defense Reorganization Act. This act had language that directed the Office of the Secretary of Defense have a more centralized leadership role in management of Service affairs order to better manage and bring under control Services requests for resources, as well as, other disjointed efforts within the military departments. Up until this time, each military department, Army, Navy, Air Force and Marines presented their budgetary requirements to the Congress. Each in their own way interpreted the National Strategy and told Congress, through their budgets, how they would support

and execute that strategy. "The administration provided each Service with a certain level of resources, determined more or less by previous year's allocations, to execute its desired programs. As a result, each Service appeared to be preparing for war on its own set of assumptions, which did not necessarily share a common national military aim."<sup>3</sup>

Secretary McNamara had two stated purposes for introducing the PPBS system. The first and most important, was the consolidation of power in the Defense Department to the Office of the Secretary of Defense. Secretary McNamara believed and understood that control of the Services could be obtained with the gainning of control of the purse strings. By forcing the Services to execute a budget program under his control, this would, in fact, bring the Services under his control. The other purpose was to restore what the Secretary believed to be a broken Defense budget. "The things that PPBS was intended to cure were fairly obvious. The budget had been put together, mostly in input terms, budgetary categories, and appropriations for things such as manpower, without any particular distinction by functions..... The new system translated that, more or less, into output terms."<sup>4</sup> With this program the Secretary was able to allow programs and systems to drive the budget, rather than allow the budget to drive the programs and systems. Up until this time, the budget was a series of one

year proposals, often times, based off of the previous years allocation. "There were arbitrary budget ceilings, if you will, and there were inflexible service allocations. From 1954 to 1961, there were only minor changes. The Air Force got 47 percent of the budget, the Navy got 29 percent, and the Army got 24 percent. It really didn't vary much. Budgets had a one year horizon."<sup>5</sup>

Each Service would go to Congress and present their programs in an attempt to convince them that their programs were the most important for national defense and provide a substantial boost to certain congressional areas. Secretary McNamara's intent was to bring control of the Services under the Office of the Secretary and to bring order and logic to the budgeting process. He felt this was imperative because as he believed it was a significant waste of resources and failed to adequately resource the needs of the Defense Department in its mission to protect and defend. As is stated in the Planning, Programming, and Budgeting Handbook, "Exercise by the Secretary Of Defense (SECDEF) of policy direction and control is central to the PPBS planning orientation. Aided by the Joint Chiefs of Staff, the Secretary of Defense translates broad national objectives and policies into military objectives and strategies. Prescribed strategies form the basis for developing the

military force structure around which the system formulates a 5-year program for resource allocation."<sup>6</sup>

### The Process

When the issue of budgeting is addressed at the Secretary level, as is done here, it must be understood that it is done at the strategic level. In order to understand the problems and associated issues with the PPBS system it is necessary to be familiar with the process that the system uses in the development and execution of a budget. "PPBS contrasts with traditional budgeting. It tends to focus less on the existing base and annual incremental improvement. It focuses more on the objectives and purposes and the long term alternative means for achieving them. And although, certainly constrained by what exists, PPBS seeks to evaluate new programs on the same footing as existing programs. As a fundamental distinguishing characteristic, PPBS places the planning function on a par with management and control."<sup>7</sup> In order to understand how this all integrates, it is necessary to understand the elements of the process. Each part of the process will be analyzed and evaluated from the perspective of the impact that Congress, politics and democracy has on its value and outcome.

## Planning

"Planning, as the first "P" in the PPBS, is often referred to as "the silent P", an implication that useful planning does not occur."<sup>8</sup> The JCS, who is responsible for the planning of national military strategy as directed by the President, has had little success in establishing credibility with any agency outside their area. History has shown that the Commanders in Chiefs of Unified Commands, the Military Departments and, to an extent, the Office of the Secretary of Defense have paid little attention to the documents produced by the Joint Staff. The JCS staff now produces several documents that are intended to support the PPBS process. The Defense Planning Guidance, DPG; Joint Strategic Objectives Plan, JSOP; and the Joint Requirements Operations Capability, JROC, all serve as means to provide planning guidance to the services.

It can be argued that when evaluating the planning portion of the process with respect to Congress, politics and democracy, it becomes apparent that serious problems and flaws exist. Each element plays off the other and the end result is a diluted, over grossed plan that may, or may not, meet the needs of national strategy.

Congress has special interests in the budget process. The entire reason that a Congressman is elected to office is to serve as the representative for his constituents at the

federal level. The singularly most powerful tool that the Congressional member has is money. To control the purse strings, or to be able to influence the direction it flows, is critical to success. With this being true, it is reasonable to expect Congressmen to be interested in programs, projects, or plans that will funnel money into their congressional district or state. Lucrative, expensive programs and contracts take on new meanings and importance when they bring dollars and prosperity to constituents. "Legislators respond to many constituencies, including that of the bureaucracy. And until the legislator is forced by constitutional restrictions to face up to the inherent conflict between the interests of the citizenry and those of the bureaucracy, he may continue to take the route which, to him, seems that of least resistance."<sup>9</sup> This has significant impact to the budgeting process, particularly when an expensive program brings wealth to an area that has little value to the application of national strategy. Such examples are multiple in numbers, such as the Seawolf submarine, stealth fighter and the Army's air defense weapon system.

Politics plays a critical role in the development of the military budget. Like the role of the Congressmen, the CINCs and Service Chiefs lobby hard through out the halls of the Senate and Congress, peddling their pet programs and

projects. During budget formulation, it is not uncommon to see the halls swamped with staff officers providing briefings to any staffer, Congressman, or Senator willing to listen. Goldwater/Nichols provides a formal opportunity for the Service Chiefs, as well as, the CINCs to provide testimony to the respective Congressional and Senatorial Committees. Inside the walls of the Pentagon, politics plays a critical role in obtaining support for programs. Within the "Tank", service chiefs will deal among themselves for support of key programs. An example is the AH-66, Comanche, program. When it was initially downgraded by the Secretary of the Army for funding reasons, an unlikely supporter, in the Vice Chairman of the Joint Chiefs of Staff, Admiral Owens rose to the forefront and resurrected what was considered a "dead program."

Democracy's role in the PPBS process is almost self explanatory, for it is the environment in which the system lives. Because we operate in a give and take environment, one which is predicated on compromise, it becomes difficult if not impossible to implement a detailed plan and strategy without some compromise. This means, programs identified to support strategy may not be programmed or if programmed, not to the resource levels required because other programs outside may have a higher priority.

#### Programming

Programming, the center column of the PPBS process, is the bridge between the plan and the budget. "McNamara's interest in identifying and examining the basic choices among various defense programs led to development of the "programming" discipline....."<sup>10</sup> The key to programming is that it gives the leader the opportunity to develop long range programs without the exactness demanded by the budget analysis. ""Because it is less precise and relatively new when compared to budgeting, programming continues in its adolescence. The Services do not have a standard approach to programming, and all, to differing degrees, use separately developed algorithms to translate their data bases into those used by the DOD."<sup>11</sup>

Programming falls victim to many of the same arrows that the planning phase of the PPBS system does; however, it is more subtle because it is not directly impacted. This can be attributed to the definition of planning. "Within specified constraints, programming activity translates Joint Chief's of Staff and Army planning into a comprehensive and balanced allocation of projected forces, manpower, material and funds for a five year period."<sup>12</sup> The "five years" are the operative words. This Five Year Defense Plan (FYDP) is the framework for the budget formulation.

Congress can take the planning element of the DOD strategy and use it for their own gain. When it is

convenient (election years) claiming support for projects programmed in the out years shows constituents that the Congressman or Senator is "bringing home the bacon." When, and if, it is an unpopular program, they can bash, it even though they may support it for national reasons, with little fear of accountability.

Politically, the programming phase provides breathing room for the players. While one service may commit to a program to gain support for another that may be nearing execution, they still have the ability to review it later and "change positions" with minimal impact. CINCs and Service Chiefs have maneuvering room and can play loose with these programs because it is so far into the out-years, as to be inconsequential. From the programming phase comes the Service's developed budget or Program Objective Memorandums (POMs). These projections of budget requirements are a best guess of required dollars based on currently identified needs. If the political needs change as a result of internal or external pressures then the programming becomes invalid.

The programming element of the PPBS process is probably the most impacted by democracy. Because the element is so fluid and extended over a five year cycle, it is nearly impossible to lock it in. The external pressures that democracy brings, such as elections and propositions, to the

programming process makes it an art at best, when the system was intended to be a science. As a result, it creates large inefficiencies and confusion as programmers attempt to mold the plan into a workable solution.

#### Budgeting

The final phase of the PPBS process is the budget. Budgeting is the most mature of all the elements and, for the most part, is governed by legislative requirements. The current structure is done in two year increments known as the POM or Program Objective Memorandum. The POM gathers together the force structure costs, training costs, sustainment costs, and acquisition costs into one programmed budget.

Congress enters into the process very early. Responsible for the appropriations of all funds, Congress often times will only fund those programs that are beneficial to their constituents. This is not to make one believe that Congress is totally self serving, but it is to say, that there will be significant amounts of dollars that are programmed for their district's gain. This has been proven in the purchase of the OSPREY and the more recent reinstatement of the Air Force's retired spy plane. In both cases, the Services told Congress that the programs were not needed, yet they were funded and directed anyway.

Politics is also a key player in the budget formulation process. As it gets closer to the funding of individual lines, the CINCs begin to play a more critical role. It is important to have a CINC testify before a Senatorial or Congressional Subcommittee in favor of a specific program, and the Services go all out to insure the CINCs understand the importance of that specific project (particularly if that project may be in jeopardy). The Services also begin a full court press on Congress and the Senate. Congressional liaisons can be seen courting "Staffers" for their influence and trips to specific areas of interest for Congressmen and Senators become more frequent. Often times, it comes down to a question of influence rather than actual needs to determine if a project will be funded or not.

Democracy, as in the other elements of the PPBS process, is present. Although not as prevalent as in the other two, it none the less, has an impact. The PPBS is based on facts, requirements, and solutions. It does not take into account other external factors that may impact it. The PPBS process is a stand a lone system that evaluates only that sector of the economy, National Defense. Democracy, on the other hand, forces the leaders to take other elements into account. When decisions must be made to priorities and funding levels, the democratic vote plays a large part in the decision. If the country wants emphasis

on welfare or education, then the military may not receive the funding levels that have been identified through the PPBS process. The end result is a funding imbalance with requirements.

#### Case Study

The author had the opportunity to work with the system during the formulation of the FY 1998 budget as part of the Five Year Defense Plan Process. During this process, it was discovered that the AH-64 Apache Longbow program had training dollars allocated to it through the acquisition program, as well as, through the normal training program. This resulted in a double budgeting of dollars for the same requirement. How did this happen?

The answer to this question is found from within the system itself. During the planning of the procurement for the AH-64, a major subsystem that is required in the programming and budgeting process is the Integrated Logistics Management and Training Plan. This plan takes the logistical and training requirement of the system and identifies all the resources required to meet First Unit Equipped requirements. This means that the acquisition personnel must plan, program, and budget all requirements into the program cycle as a total package to be forwarded to the Secretary of Defense and Congress for approval. The intent of this is obvious. Under the PPBS process, it

allows the tracking of all requirements necessary to field a system. This is straight forward and logical.

It is until other programs become rolled into the budget. As the desk officer for all Aviation training for the Army, it is the responsibility of the individual to program all the training of aviators to support field requirements.

The means by which this is conducted is through a program known as the Army Training Readiness Resource System (ATRRS). This system takes the personnel training requirements from the Office of the Deputy Chief of Staff for Personnel (DESPER) and places them against requirements generated by force structure dictated from the Office of the Deputy Chief of Staff for Operations (DESOPS). These personnel requirements include needs as a result of force structure changes, structure changes, and personnel gains and losses from the previous years. These numbers are then integrated into the training requirement and resourced as a total package, all in accordance with the PPBS process.

What in reality was occurring, was a double programming of required dollars in order to meet the training requirements, as well as, the acquisition requirements. The acquisition office was programming in accordance with their regulations, that were designed to comply with the PPBS process, and the training office was programming for

training requirements in accordance with their regulations that were designed to comply with the PPBS process. What was happening was two separate offices, under the same Deputy Chief of Staff (DESOPS), were planning, programming, and budgeting their programs as required by the PPBS process with out the other knowing that it was occurring.

The dollars lost to the government are significant. In this case, millions of dollars, 18 million in FY98 alone, were dedicated to conduct training that had already been programmed as part of the system acquisition. Why does this occur? The answer is simple, complexity. The PPBS system with in the Department of Defense is too complex to be able to identify such issues. The vast size of the Department precludes the ability to prevent such problems. Couple this with the form of government we operate under and it is compounded.

#### Conclusion

The question has become one of why the PPBS process has been a failure? The answer is simple, it is because of the form of government we live under. The decision makers have fallen victim to the process. This is not an inditement, but rather it is a statement that the accepted form of government, one which is founded on compromise, does not fit in with the rigid process of the PPBS system. "The acid test of PPBS, or, for that matter any other budgetary reform

is its effect on decision making. Absent any discernible improvements in resource allocation, it seems nothing short of folly to incur the heavy administrative and political costs of implementing so complex a system as PPBS."<sup>13</sup>

The next question is what is the next step? That answer is complex, for there are aspects of the PPBS system that are valuable and critical for success. On the other hand there are elements of the process that are cumbersome and wasteful, but the answers to those questions must be addressed or it will continue to be fraught with waste and abuse.

The PPBS process served a useful purpose, but like many other programs, fell victim to the very masters it served. It has become cumbersome and unwieldy. It is, in fact, wounded by the politics, Congress and democracy it serves. The time may be now to move on to something more easily controlled and more effective.

#### Recommendation

The question is what system can best serve the needs of the government and remain efficient and effective across the spectrum of politics, Congress, and democracy. A simple answer is not possible; however, a look to the private sector may provide some insight to cost effective means of doing business.

What should not be thrown out is the planning process currently in effect. The joint requirements programs currently in place do an excellent job of defining military needs to execute national strategy.

The change needs to come in the programming and budgeting. This has the capability to be successful when the system does not place external pressures on it such as politics and the democratic process. Unfortunately this is not possible in our system, so alternative means need to be developed and implemented.

What can be done is to be more efficient in the use of the technology that is currently available. Computers can track new and fielded programs and their integration into systems and requirements for all services. Monies and programmed dollars can be more accurately tracked to avoid double counting and over costing. Much like the just in time programs and parts location programs designed for the logistics community, budget programs can be developed to track allocated and programmed dollars.

Finally the line item veto, which is now being considered, will serve as a significant tool to be used in solving the problems created by Congress' desire to protect their "pork". The line item veto will provide a means to keep budgeted programs to support those strategies on track and in balance without fear of derailment.

<sup>1</sup> Donald Axelrod, *Budgeting for Modern Government* (New York: St. Martin's Press, Inc., 1995), 293.

<sup>2</sup> Dr. Bernard Rostker and Dr. L Cabe, "Naval Studies Group," The Defense Planning, Programming, and Budgeting System (PPBS): Past, Present, and Future, Ser 90/3U327101 ed.: 47.

<sup>3</sup> LTC Lamar H. Murphy and LTC Morris W. Wood, *Defense Decision Making: Is the Planning, Programming, and Budgeting System (PPBS) still viable?* diss., Harvard, 1988 (Boston, Ma: John F. Kennedy School of Government, 1988), 3.

<sup>4</sup> *Ibid*, 47.

<sup>5</sup> *Ibid*, 49.

<sup>6</sup> "US Department of the Army, Office of the Director of Program Analysis and Evaluation," Planning, Programming, and Budgeting System (PPBS) Handbook, Second Edition, 1980 ed.: 2-7.

<sup>7</sup> *Ibid*, 2-7.

<sup>8</sup> LTC Lamar H. Murphy and LTC Morris W. Wood, *Defense Decision Making: Is the Planning, Programming, and Budgeting System (PPBS) still viable?* diss., Harvard, 1988 (Boston, Ma: John F. Kennedy School of Government, 1988), 7.

<sup>9</sup> Albert C. Hyde, *Government Budgeting* (Belmont, California: Wadsworth Publishing Company, 1992), 239.

<sup>10</sup> LTC Lamar H. Murphy and LTC Morris W. Wood, *Defense Decision Making: Is the Programming, Planning and Budgeting System (PPBS) still viable?* diss., Harvard, 1988 (Boston, Ma: John F. Kennedy School of Government, 1988), 11.

<sup>11</sup> *Ibid*, p.11

---

<sup>12</sup> Program Analysis and Evaluation Directorate, PPBS Handbook, Second Edition, 1980 ed.: 2-29.

<sup>13</sup> Donald Axelrod, Budget for Modern Government (New York: St. Martins Press, 1995) 300.

## Bibliography

1. Axelrod, Donald. *Budgeting for Modern Government*. New York: St. Martin's Press, 1995.
2. Davis, James W. *Politics, Programs, and Budgets*. Englewood Cliffs, N.J.: Prentice-Hall Inc., 1969.
3. Hyde, Albert C. *Government Budgeting*. Belmont, California: Wadsworth Publishing Co., 1992.
4. Novick, David. *Current Practice in Program Budgeting (PPBS)*. New York: Crane, Russak & Company, Inc., 1973.
5. Cancian, Mark F. "PPBS: A Rude Awakening." *Proceedings* (Nov. 1984).
6. Wildavsky, Aaron B. "Rescuing Policy Analysis from PPBS." *Public Administration Review*. (Vol. XXIX, No. 2, Mar/Apr 1969).
7. Fraizer, Thomas T., LTC. *The Planning, Programming, Budgeting System (PPBS): A Historical Perspective*. Carlisle, Pa: US Army War College, 1990.
8. Murphy, Lamar H., LTC and LTC Morris W. Wood. *Defense Decision Making: Is the Planning, Programming, and Budgeting System still viable?* Boston, Ma: Harvard University, John F. Kennedy School of Government, 1988.
9. Rostker, Bernard, Dr. & Dr. Lewis Cabe. *The Defense Planning, Programming, and Budgeting System (PPBS): Past, Present, and Future*. Washington, D.C.: Center for Naval Analysis, 1982.
10. -----. *The Planning, Programming, and Budgeting System*. Alexandria, Va: Defense Logistics Agency, 1991.
11. -----. *PPBS Handbook*. Washington, D.C.: Department of the Army, 1980.
12. -----. *Towards PPBS II: Mission Budgeting*. Washington, D.C.: Department of the Army, 1981.